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SUBJECT: SECRETARY GUTIERREZ MEETS PERU TRADE MINISTERS

Classified By: A/POL David C. Brooks, for Reasons 1.4 (c,d)

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Summary:  
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¶1. (C) Commerce Secretary Gutierrez warned both the outgoing and incoming Peruvian Trade Ministers that the vote on the U.S.-Peru FTA would be close. Ambassador Struble said that the Peruvians needed to prepare "a game plan" to obtain support in the U.S. Congress. Trade Minister Mercedes Araoz promised to form a working group for this purpose within two weeks. Ambassador Struble warned that, recent campaign rhetoric aside, President Garcia would have to show his unequivocal interest in an FTA during his upcoming visit to Washington in the fall. Linking the FTA to enhanced U.S. security and possibly encouraging President Garcia to travel to sensitive areas of the U.S. and speak out in favor of the agreement were among suggestions offered. End Summary.

¶2. (C) Commerce Secretary Gutierrez, Ambassador Struble, Commerce DAS Walter Bastian and Commercial Counselor Margaret Hanson-Muse met with outgoing Trade Minister Alfredo Ferrero and incoming Trade Minister Mercedes Araoz on 7/27.

¶3. (C) Secretary Gutierrez emphasized the closeness of a possible vote on the U.S.-Peru FTA and how important the timing of the vote would be to its success. He noted that chances for passage might be better following the November elections in the U.S., when members would feel less political pressure. In response to a question about ATPDEA extension, the Secretary responded that it was not likely to happen given the current mood in Congress. Ambassador Struble stressed the need for the incoming government to develop "a game plan" for the U.S. Congress so that, starting in September, the FTA could gain traction in Congress. Ambassador added that such a game plan should include U.S. companies with interest in the treaty as well as proposals for trade-capacity building within Peru. In response, Trade Minister Araoz promised to set up a working group for this purpose "in the next two weeks."

¶4. (C) Ambassador Struble stressed the importance that the GOP be unequivocal in expressing its desire for an FTA. Minister Ferrero acknowledged that during the recent presidential election campaign "there had been some ambiguity" in President Garcia's approach to an FTA, but that this constituted a response to the realities of the campaign (during which opposition candidate Ollanta Humala roundly criticized the FTA). In the end, Ferrero noted, APRA Congress representatives voted unanimously in favor of the

treaty in June. Ambassador Struble warned, nonetheless, that President Garcia must be unequivocal in favor of the treaty when he makes a planned visit to Washington this coming fall.

15. (C) Secretary Gutierrez asked both participants about Peru's relationship to MERCOSUR. Minister Araoz said that Peru was not participating in MERCOSUR at the moment and that the Peruvians found Brazil a difficult trading partner with which to negotiate. Both Trade Ministers stated Peru's interest in linking up with bigger economies. Minister Ferrero said that thanks to Andean Trade Preferences and Drug Eradication Act (ATPDEA) and other trade agreements, the Peruvian economy had become more open, strengthening constituencies that favor open trade.

16. (C) DAS Walter Bastian offered suggestions as to how to promote the U.S.-Peru FTA in the U.S. Congress. He said that free trade could be presented as enhancing U.S. security by stabilizing U.S. neighbors and cutting illegal immigration by promoting economic development. He also suggested that President Garcia might visit areas of the U.S. where the treaty is a sensitive issue and appeal to Congressional constituents through the U.S. media.

17. (C) Minister Ferrero noted that the new pro-Fujimori bloc in the Peruvian Congress, led by former President Fujimori's daughter, Keiko (the leading vote-getter in recent congressional elections), had added a likely pro-FTA voice to Peruvian politics. President Fujimori himself had not focused on trade, but Ferrero expected this group to view the FTA favorably.

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